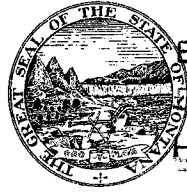


Holwick

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



EXHIBIT

1

DATE 1-08-07

HB 2

JOHN BOHLINGER
LT. GOVERNOR

January 8, 2007

EXHIBIT I

Representative Edith Clark, Chair
Appropriations Subcommittee
Public Health and Human Services
State Capitol Building
Helena, MT 59620

Dear Madam Chair:

I am enclosing a list of technical budget adjustments, which have occurred subsequent to the submittal of the Administration's Executive Budget on November 15, 2006. These items will be addressed by the Department of Public Health and Human Services during their presentation of Governor Schweitzer's budget to your subcommittee. As five of these items were not included in the original budget submittal, I would like to assure you that I have now reviewed the requests and approved them. Additionally, transmittal of this list will provide your staff with the opportunity and time, though limited, to evaluate and analyze these requests for the committee.

The specific items for which we are requesting action by the Legislature are:

1. Human & Community Services Division:

DP 20909 – Funding the base in IHSB Administration
(New)

Increase general fund in FY 2009 by \$19,663 and decrease federal funds by the same amount.

The base budget was not funded correctly for FY 2009 in the Low Income Energy Assistance Program. This funding switch between state general fund and federal funds grant of \$19,663 in FY 2009 will correct that mistake.

2. Human & Community Services Division

DP20020 – TANF Cash Benefit Increase
(Technical Adjustment)

Reduce federal authority in each fiscal year by \$1,213,501 to reflect a lower TANF caseload. The recommended standard benefit level (33% of the estimated 2007 federal poverty level) will not change.

3. Senior & Long Term Care Division

DP 22127 – Alzheimer Grant Continuation

Remove this decision package from the Governor's Proposed Budget for HB2.
(Technical Adjustment)

This decision package will be included in HB4.

4. Senior and Long Term Care:

Adjustment to base budget funding:

Montana Veterans Home (RL-22-02-37)

In the base budget, revise the state special revenue funding to increase funding in Third Party Reimbursement in FY 2008 by \$1,695,729 and in FY 2009 by \$1,705,161 and decrease by the same amount the Cigarette Tax Revenue for Montana Veterans Home base funding by the same amount.

5. Senior & Long Term Care Division

DP20910 – EMVH – VA Reimbursement

(New)

Increase federal authority in FY 2008 by \$174,309 and in FY 2009 by \$197,910. It is anticipated that the federal VA reimbursement at the Eastern Montana Veteran's Home will increase from the 2006 level of approximately \$65 per day to approximately \$68 per day in 2008 and \$70 per day in 2009.

Notification of the per diem rate change was received by the department on December 21, 2006.

6. Addictive & Mental Disorders Division

DP 33415 – Addition of 20 Service Slots to HCBS (SDMI) Waiver

(New)

Increase state special revenue funding (I-149 funds) by \$ 504,927 and federal match funds by \$ 1,101,073 over the biennium.

The Senior and Long Term Care Division (SLTC) has a Home and Community Based Services waiver that serves individuals with physical disabilities and seniors. It is estimated that 20 individuals on that waiver would be eligible and more appropriately served under the new waiver program for individuals with severe and disabling mental illness (HCBS/SDMI). We want to move those 20 individuals to the new SDMI waiver and to provide funding for their services. This would allow SLTC Division to take 20 individuals off their extensive waiting list and at the same time, provide new service slots so that the limited 105 slots for the SDMI waiver can go to individuals who require these services and currently do not have them.

7. Addictive & Mental Disorders Division

DP 33506 – Secure Treatment & Examination Program
(Technical Adjustment)

Adjust current program funding in FY 2009 from (\$352,063) in state special revenue (02691) and \$3,380,803 in general fund downward to (\$224,000) in state special revenue and \$3,252,740 in general fund. This action is necessary as the department determined that a portion of the reimbursement it receives from Corrections for buildings on the Warm Springs campus would remain intact.

8. Health Resources Division

DP 11017

(New)

Increase state special revenue in FY 2008 by \$1,389,441 and in FY 2009 by \$2,037,846 .

The Big Sky RX prescription drug discount program, established in SB324, did not expend any authority in FY 2006. As a result it was not in the base year budget. This program will need the authority to expend the expected revenues that will be received through this program. The revenues to support this program are derived from a state special revenue account that is made up of rebates from pharmaceutical manufacturers.

9. Health Resources Division

DP11016- Deficit Reduction Act Grant

(New)

Increase general fund in FY 2008 by \$301,381 and federal funds by the same amount.

The Children's Mental Health Bureau received a grant award from the federal Deficit Reduction Act (2005) to establish a demonstration program, which will allow the state to pursue a HCBS waiver, as an alternative to utilizing psychiatric residential treatment facilities (PRTF). The FY 2008 funding requirement will be \$301,381 general fund and the same amount in federal funds. This program will become cost neutral as it progresses. Notification of this grant was received by DPHHS on December 23, 2006.

10. Quality Assurance Division

DP 80011– Payment Error Rate Measurement (PERM)

(New)

This is a new request for \$322,158 total funds, \$115,295 general fund in FY 2008 and \$385,961 total funds, \$136,805 general funds for FY 2009 to implement the Centers for Medicare and Medicaid Services (CMS) Payment Error Rate Measurement (PERM) program in Montana. PERM is a new federal requirement for Medicaid and CHIP with which the state must comply. The states are to be reviewed every three years and Montana has been selected for participation in federal fiscal year 2008 (10/1/2007).

I have attached additional information for your staff and the subcommittee members to use in evaluating these technical adjustments and new requests for consideration in the Executive Budget.

Sincerely,



David Ewer, Director
Office of Budget and Program Planning

cc Joan Miles, Director DPHHS
John Chappuis, Deputy Director, DPHHS
Anna Whiting-Sorrell, Policy Advisor to Governor
Clayton Schenck, Legislative Fiscal Analyst
Scott Sim, Chief-Budget and Analysis
Bob Andersen, OBPP
Pat Sullivan, OBPP

Item #1

DP No:	DP 20909
Reporting level	6901-02-02-01
Expenditure account change:	None
Funding increase:	\$19,663 in fund 01100
Funding decrease:	- \$19,663 in fund 03572
DP Title	Funding the Base in IHSB Administration
DP Type	NP (because of funding swap)

Narrative: The base budget was not funded correctly for FY 2009. The executive is requesting a funding swap between state general fund and federal funds in the Low Income Energy Assistance Program grant of \$19,663 in FY 2009.

Two federal grants in this bureau require matching state general fund for all or part of their funding. Without the general fund match the federal funds cannot be spent. The authority for matching funds was inadvertently missing from the FY 2009 budget when it was funded. Restoring the general fund match will allow the department to spend the federal funds.

Item #2

Technical Adjustment

DP 20020 – TANF Cash Benefit Increase

This is a request to adjust the amount of yearly increase from \$2,228,983 to 1,127,896 as a result of a decreased caseload forecast. Caseload is expected to decrease from 3,877 to 3,642.

Item 3

Technical Adjustment
DP 22127 – Alzheimer Grant Continuation

Remove this decision package from the Governor's proposed budget for HB2. This is the third year of grant funding and will be included in HB4.

Item 4

Technical Adjustment

Adjust base budget for the Montana Veterans Home (RL-22-02-37)

Third Party reimbursement will be used to fund the MVH and decrease the amount of Cigarette Tax revenue to be used for base funding.

Current Budget:			Revised Budget:		
	Fund	Amount		Fund	Amount
FY 2008	02023	2,248,132	FY 2008	02023	3,943,861
FY 2009	02023	2,293,231	FY 2009	02023	3,998,392
FY 2008	02260	3,640,044	FY 2008	02260	1,944,315
FY 2009	02260	3,621,788	FY 2009	02260	1,916,127

Item #5

DP No: DP 22910
Reporting level: 6901-22-02-39
Expenditure account change: 62102
Funding increase: \$174,309 in FY 2008; \$197,910 in FY 2009; Fund 03005
DP Title: EMVH VA Reimbursement
DP Type: PL

Narrative:

The anticipated increase in federal VA reimbursement was not included in the original budget request in the funding for the 2009 biennium. It is anticipated that the reimbursement will increase from the 2006 level of approximately \$65 per day to approximately \$68 per day in FY 2008 and \$70 per day in FY 2009.

Item # 6

NarrType
Mode
Version
Program
DPTYPE
DPNumber
Description
Narrative

6901-33-00-00-00-00-00

NP

33415

Additional 20 Service Slots to HCBS (SDMI) Waiver

The 2005 legislature accepted the executive proposal to implement a home and community-based services Medicaid waiver for adults with severe disabling mental illness, similar to the waivers already administered for elderly, physically disabled and developmentally disabled adults. This request adds 20 waiver slots to the existing request for annualization of 105 slots, as shown in DP 33414. This would increase the total number of available HCBS service slots to 125 in FY 2008 and 125 service slots in FY 2009 at a daily rate of \$110 per day. This budget request is funded with tobacco tax (I-149 funding). This is a budget request for \$803,000 total funds over the biennium including \$550,135 in state special revenue funds.

Justification: Medicaid eligible individuals with severe and disabling mental illness (who meet nursing facility level of care and reside in one of the three geographic areas in the state where the HCBS waiver program is authorized) have the opportunity to choose to receive their care in the HCBS waiver program or a nursing facility. The Senior and Long Term Care Division has served individuals with Severe and Disabling Mental Illness on it's Physically Disabled and Elderly HCBS waiver for many years. It is estimated that 20 individuals currently on that waiver would be eligible for the new HCBS waiver for individuals with Severe and Disabling Mental Illness (SDMI).

The SDMI waiver has services that will more specifically meet the mental health needs of these 20 individuals. This new waiver has only 105 service slots that were intended to provide a new level of service to people who, without this waiver, would require nursing facility level of care. If 20 of the new 105 slots are filled with individuals transferring from the Senior and Long Term Care Division waiver, then we will have decreased the capacity of the new waiver to serve individuals who need but cannot access this new program. Senior and Long Term Care Division has a waiting list of over 500 individuals for their waiver so are not in a position to transfer service dollars/slots to the new SDMI waiver to continue services to that group.

Goal: The goal of the HCBS waiver program for adults with severe disabling mental illness is to provide a choice of receiving long term care services in a community setting as an alternative to receiving long term care services in a nursing facility. The objective of the HCBS waiver program is rehabilitation and recovery, while encouraging the consumer to accept personal responsibility for services and desired outcomes.

The goal of this new request is to add 20 service slots to the SDMI waiver to fund a transfer of mentally ill individuals from the Senior and Long Term Care Division waiver program to the new SDMI waiver.

Performance Criteria: There will be a Quality Management process to collect and review data gathered from providers and the consumers enrolled in the waiver. This will ensure that quality assurances are met. Recovery markers have been established as performance/outcome indicators and include the domains of Employment; Level of Symptom Interferences; Housing; Substance Abuse (stages of change and level of use). Each domain contains items that will be scored and submitted quarterly through a secure web based application by case managers. All reports will contain only summarized data to ensure consumer confidentiality.

Milestones: Major milestones will include:

- Enroll Medicaid eligible individuals with severe disabling mental illness into the HCBS waiver program beginning in January, 2007
- Complete surveys of those individuals enrolled in the first year of the waiver to monitor and gauge success by December 2007
- Begin the evaluation process to determine if there are other geographic areas in the state where the HCBS waiver program may be implemented

FTE: No FTE are requested with this decision package.

Funding: This is funded with tobacco tax.

Obstacles: The following obstacles may be encountered:

- There may be more individuals with severe disabling mental illness (who meet nursing facility level of care and reside in one of the three geographical locations where the waiver is authorized) who want to choose waiver services, but the program may be at capacity
- The HCBS waiver for adults with severe disabling mental illness is not available statewide

Risk: This proposal offers an alternative to nursing facility placement and focuses on rehabilitation and recovery for individuals enrolled in the HCBS waiver program. Without the HCBS waiver, individuals with severe disabling mental illness who meet nursing facility level of care will enter or remain in nursing facilities.

Item #6

DP 33415

RE: Adjustment to Home and Community Based Waiver for Adults w/ SDMI

Addition of twenty(20) individuals currently on Senior and Long Term Care HCBS program

Present Law Adjustment HCBS waiver add 20 individuals currently on SLTC HCBS waiver

Augments HCBS waiver as approved by 2005 Legislature at 20 additional slots at \$110/day

Slots	Daily Rate	Costs FY 2008	Costs FY 2009	Expenditures all in 67103 benefits		
20	\$ 110	\$ 803,000	\$ 803,000			
				FMAP		
	Name	Fund	Funding	Funding	FY 2008	FY 2009
	Tobacco Tax	02772	\$ 252,062	\$ 252,865	0.3139	0.3149
	Medicaid	03583	\$ 550,938	\$ 550,135	0.6861	0.6851
			\$ 803,000	\$ 803,000		
	Check		\$ -	\$ -		

The department is requesting a funding adjustment for decision package **33506 Secure Treatment and Examination Program(STEP)**. The current budget proposal reflects FY09 funding of \$3,380,803 General Fund and (\$352,063) in State Special Revenue fund(02691). The department requests an amendment to the budget that funds this proposal utilizing \$3,252,740 of general fund and (\$224,000) of state special revenue funds. This results in a decrease in general fund support in the amount of \$128,063. This action is necessary as the department determined that a portion of the reimbursement it receives from Corrections for various buildings on the Warm Springs campus would remain intact.

FY 09

EXPENDITURES	MBARS/ NEW PROPOSAL 33506	MSH Current BUDGET ALLOCATION	GRAND TOTAL
FTE	41.69	44.25	85.94
Personal Services	2,287,930	2,437,627	4,725,557
Operating Construction- General	674,810	725,574	1,400,384
Debt Service	66,000		66,000
<i>Grand Total</i>	3,028,740	3,163,201	6,191,941
FUNDING			
General Fund	3,252,740	3,163,201	6,415,941
SSR--02691	(224,000)		(224,000)
<i>Grand Total</i>	3,028,740	3,163,201	6,191,941

****MBARS currently shows (\$352,063) in SSR and \$3,380,803 in general fund. MBARS funding should be adjusted downward to reflect \$3,252,740 in General Fund and \$224,000 in SSR funds.**

Item #8

DP No: DP 11017
DP Type & Title PL - Big Sky Rx Drug Discount

Justification

The Big Sky Rx prescription drug discount program was not in the base year expenditures. The program may provide for a prescription drug plus discount by offering prescription drugs at a discount price to qualified individuals whose income is at a level set by the department or below 250% of Federal Poverty level (FPL).

Goals

The program will be implemented with the infrastructure in place for assisting eligible Montanans by SFY 2008. The Program operations continue through 2009 and to reach full service capacity for 150,000 individuals that are estimated, this base adjustment is requested.

Performance Criteria

The program estimates that 150,000 Montanans may be eligible. However, given the obstacles noted below, we believe that enrollment of 10,000 people is an ambitious goal. The monthly enrollment reports, as well as quarterly fiscal performance reports, will be produced and evaluated for utilization information.

Milestones

The program would like to reach full capacity of assisting the eligible individuals by the end of SFY 2009.

FTE

The Big Sky Rx Program has hired eight staff. The staff works on all aspects of the program and currently, has one open rebate position:

- 1) Pharmacy Assistance Supervisor
- 1) Program Officer
- 1) Analyst
- 1) Media Outreach Officer
- 4) Eligibility Specialists
- 1) Open Eligibility Specialist

Funding

The program is funded through the rebates received by pharmaceutical manufacturers. This is deposited in a state special revenue account and is administered by the department.

Obstacles

The department has done only preliminary exploration of the discount option, as we have focused on implementation of Medicare Part D and Big Sky Rx. Our preliminary analysis reveals that manufacturers have been slow to participate in these programs. Most manufacturers have chosen to offer individually subsidized programs rather than participate in drug rebates. The Montana drug discount program has provided a link to a clearing house for people to access information about these subsidized programs. .

Several states have recently passed legislation similar to Montana. We are hopeful that manufacturers will respond to this interest and begin offering rebates. The national AARP office has offered their assistance in pursuing multi-state rebate efforts. .

Item #8

Risks

Discounts will not be available for eligible Montanan's below 250% of FPL.

DP No: DP11016
DP Type & Title: PL- Deficit Reduction Act Grant

Justification:

The Children's Mental Health Bureau received a grant award from the Deficit Reduction Act (2005) to establish a demonstration program which will allow for the state to pursue home and community based services as an alternative to utilizing a psychiatric residential treatment facility (PRTF). The FY 2008 funding requirement will be \$301,381 general fund and the \$301,381 federal funds. The program then will become cost neutral as it progresses.

Goal:

Continue to provide quality services to approximately 50-100 SED Montana Medicaid eligible children who require the level of medical services provided by the program.

Performance Criteria:

Eligible individuals will continue to receive appropriate care as authorized by the program's rules. Staff will monitor program budgets monthly to insure that program is operating within funding levels as appropriated and utilization is consistent with expected program growth rates as discussed in the grant.

Milestones:

The program will monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

FTE:

2.00 FTE modified will be required for this increase in caseload for these services.

Funding:

The funding for this proposal is at the Medicaid program matching rate of 50% state general funds and 50% federal funds.

Obstacles:

This is a new program that will require development of "waiver like" services to keep children in their home and/or community. These new services will need to be developed in conjunction with families and providers. In some areas, shortages of provider resources who are willing and able to provide these services to Medicaid clients is an issue and the demographics of Montana.

Risk:

If resources are not made available, the division will not be able to implement the grant.

Program 08 Payment Error Rate Measurement (PERM) EPP Request

	FY 2008	FY 2009	Biennium	
Request Name:	PERM - Payment Error Rate Measurement			
Budget Level:	New Proposal			
Expenditure Request				
61099 PERSONAL SERVICES	\$256,357	\$320,933	\$577,290	
62098 UNALLOCATED OPERATING EXPENSES	\$65,801	\$65,028	\$130,829	
Total Request Expenditures	\$322,158	\$385,961	\$708,119	
Total FTE	6.75	8.50		
Total FTE Cost	\$256,357	\$320,933	\$577,290	
Medicaid	\$159,051	\$184,544	\$343,595	
CHIP	\$163,107	\$201,417	\$364,524	
Total Request Expenditures	\$322,158	\$385,961	\$708,119	
Funding Request				
01100 GENERAL FUND	\$115,295	35.79%	\$136,805 35.45%	\$252,100
03580 6901-93.778 - Med Admin 50%	\$79,526	24.69%	\$92,272 23.91%	\$171,798
03426 6901-93.767 CHIP Federal Funds	\$127,337	39.53%	\$156,884 40.65%	\$284,221
Total Funding	\$322,158	100.00%	\$385,961 100.00%	\$708,119
Federal Funding				
Match Requirements Required				
Medicaid Administration	50.00%	50.00%		
PERM Federal	78.07%	77.89%		
Maintenance of Effort Requirements	Not Required			

EPP Request and Justification

This request is for \$322,158 total funds; \$115,295 general fund in FY 2008 and \$385,961 total funds; \$136,805 general fund for FY 2009 to implement the Centers for Medicare and Medicaid Services (CMS) Payment Error Rate Measurement (PERM) program in Montana.

PERM is a new federal requirement for Medicaid and CHIP. This is a mandate by CMS and the state must comply. The states are to be reviewed every 3 years and Montana has been selected for participation in federal fiscal year 2008 (10/1/2007).

The goal of PERM is to assess the accuracy rate of Medicaid and CHIP eligibility determinations and claim payment. The state is responsible for submitting the results to CMS for inclusion into National error rate calculations. Eligibility reviews are the responsibility of the state. Claim reviews will be conducted federal contractors in coordination with state staff.

The federal guidelines provide the required performance criteria that included the method of sampling, method of conducting the reviews, timing of the reviews, process of error resolution, production of report of results and corrective action plan. The error rates will not result in recoveries or overpayments, except for specific errors, therefore there are no significant savings that will be realized. There maybe be individual claim adjustments, or possible process improvement changes.

To implement PERM for Montana the department will hire a grade 15 lead worker by July 1, 2007. This position will provide insight and coordinate the activity of the CMS contractor and hire and train 7 grade 13 eligibility positions, and a .5 grade 13 claim position. This position will be a permanent full time position and will be responsible for all aspects of the PERM through initial planning, development, and an implementation of the action plan.

The .5 time FTE grade 13 position will be hired by July 1, 2007 and the 7 FTE grade 13 eligibility positions will be hired by October 1, 2007, as permanent FTE positions.

The Medicaid part of PERM is funded at the Medicaid administrative match rate of 50% general fund and 50% federal funds. The CHIP part of PERM is funded at 21.93% general fund and 78.07% federal funds in SFY 2008 and 22.11% general fund and 77.89% federal funds in SFY 2009.

The Medicaid and CHIP parts of PERM account for 50% each of the personnel costs with the exception of some CHIP direct costs related to contract services for BC/BS. The contract services are for data processing needs to obtain CHIP claims for the federal contractor.

The Department considered 3 options which included using permanent employees, contracted services, or temporary employees. The department chose to utilize the permanent employee option because it is the best option that provides an opportunity for the state to comply with the federal requirements and cross training for other audit and review function for the department.

Payment Error Rate Measurement (PERM) funding request

Prepared by: Quality Assurance Division

LFC standardized process for the evaluation of selected budget requests.

Justification

Payment Error Rate Measurement (PERM) is a new federal requirement for Medicaid and CHIP. This is a mandate by CMS and the state must comply. The states are to be reviewed every three years and Montana has been selected for participation in federal fiscal year 2008 (10/1/2007).

Goal(s)

The goal of PERM is to assess the accuracy rate of Medicaid and CHIP eligibility determinations and claim payment. The state is responsible for submitting the results to CMS for inclusion into the National error rate calculations. Eligibility reviews are the responsibility of the state. Claim reviews will be conducted by federal contractors in coordination with state staff.

Performance Criteria

The federal guidelines provide the required performance criteria that include the method of sample selection, method of conducting reviews, timing of reviews, process of error resolution, production of report results and corrective action plans. The error rate calculation will not result in recoveries or overpayments applied from the sample to the total Medicaid or CHIP program costs. However, the department may be required to complete individual claim adjustments or possible process improvements under a plan of correction to prevent future claim errors. Therefore there are no significant savings that will be realized from the required PERM activities.

Milestones

- Secure funding for SFY 2008 and 2009.
- Develop staff recruiting and training program.
- Hire a program officer to coordinate activities by July 2007.
- Develop and submit sampling plan in August 2007.
- Submit claim payment policies, etc. to Federal contractor in October 2007.
- Hire eligibility review staff by October 2007.
- Begin eligibility reviews by November 2007.
- Submit 1st quarter claims data to Federal contractor in January 2008.
- Complete eligibility reviews in February 2009, exclusive of error resolution.
- Federal contractors complete reviews in September 2009, exclusive of error resolution.
- October 2009 – September 2010 Utilize staff and cross train in other Medicaid Quality Control and Food Stamp activities. Implement focused eligibility reviews with HCSD and SURS projects to address backlog of investigations. Plan and develop sampling plan for 2011 in August 2010.
- October 2010 – September 2012 conduct the PERM reviews for FFY 2011

FTE

The PERM function will be part of the Program Compliance Bureau in the Quality Assurance Division (QAD) of DPHHS. The function is housed in QAD to maintain independence from the programs being reviewed. This independence is required under the federal regulations that were issued in August 2006. The staff will consist of the following:

1 FTE Grade 15 for Supervision and coordination

7 FTE Grade 13 for eligibility reviews

.5 FTE Grade 13 for claim resolution

The department will hire these employees on a permanent basis to alleviate the recruiting and training challenges associated with hiring temporary employees. During the year when PERM is not on-going it is anticipated these employees will be cross trained in other Medicaid Quality Control and Food Stamp activities. The department will utilize this staff to implement focused eligibility reviews and complex investigations subject to large expenditures.

Funding

Funding for this program will follow normal Medicaid and CHIP funding. Medicaid will be funded at the administrative match rate of 50/50 state general fund and federal funds, and CHIP will be funded at the applicable Federal Medical Assistance Percentage (FMAP) for 2008 and 2009. The CFDA number for Medicaid is 6901-93.778 and CHIP is 6901-93.767. The Medicaid administrative match is considered to be a stable source of funding. However, the CHIP PERM expenses will be counted toward the 10% overall administrative cap. This may result in CHIP administrative expenses exceeding the cap as defined under the federal regulations. Under those federal regulations there is no federal match for the expenditures that exceed this 10% cap. Therefore, it is possible that CHIP PERM related activities may not be eligible for federal matching dollars and will need to be funded 100% from the general fund. There is also a State law that limits CHIP administrative expenditures at 10%, (MCA 53-4-1007). The department has requested legislation under House Bill 157 to amend this requirement to exclude costs for newly required federal administrative expenses imposed after July 1, 2006, and federally required audits, i.e. PERM.

Obstacles

The major challenges facing this proposal are data collection and extraction and staffing. To overcome the data collection and extraction issues we have engaged the Technology Services Division to assist in the collection and extraction of data. The staffing concerns can be overcome by securing funding for this proposal, hiring full time permanent positions and locating office space.

Risk

Since this is a requirement of CMS for Medicaid and CHIP the risk of non-compliance is that CMS could issue fines, penalties, or withhold funding for Medicaid and CHIP.